

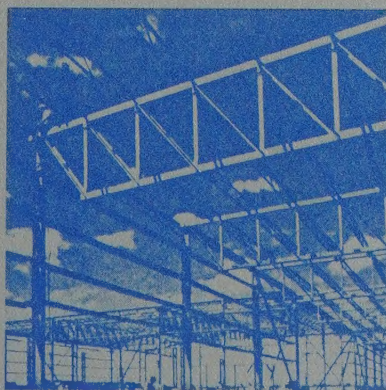
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# GREAT WEST STEEL

**Industries Ltd.**

**Annual Report 1979**

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GREAT WEST STEEL INDUSTRIES



## THE COMPANY, ITS PRODUCTS AND SERVICES

GREAT WEST STEEL INDUSTRIES is a Canadian owned manufacturing, engineering and crane rental company providing goods and services primarily to the construction industries of Western Canada and the U.S.A. Pacific Northwest.

The manufacturing plants at Seattle, New Westminster, Edmonton, Calgary and Saskatoon design, engineer, manufacture and install open web steel joists, structural steel, steel plate work, miscellaneous iron work and industrial steel work.

The crane service division owns a large fleet of mobile cranes operating from bases at Edmonton, Calgary and Vancouver. The division provides crane service and crane rentals, steel, wood and concrete erection and installation, dock work, pile driving and plant maintenance service.

A coal test plant and laboratory at Calgary washes and analyzes bulk and core coal samples for the mining industry.



# THE YEAR IN BRIEF

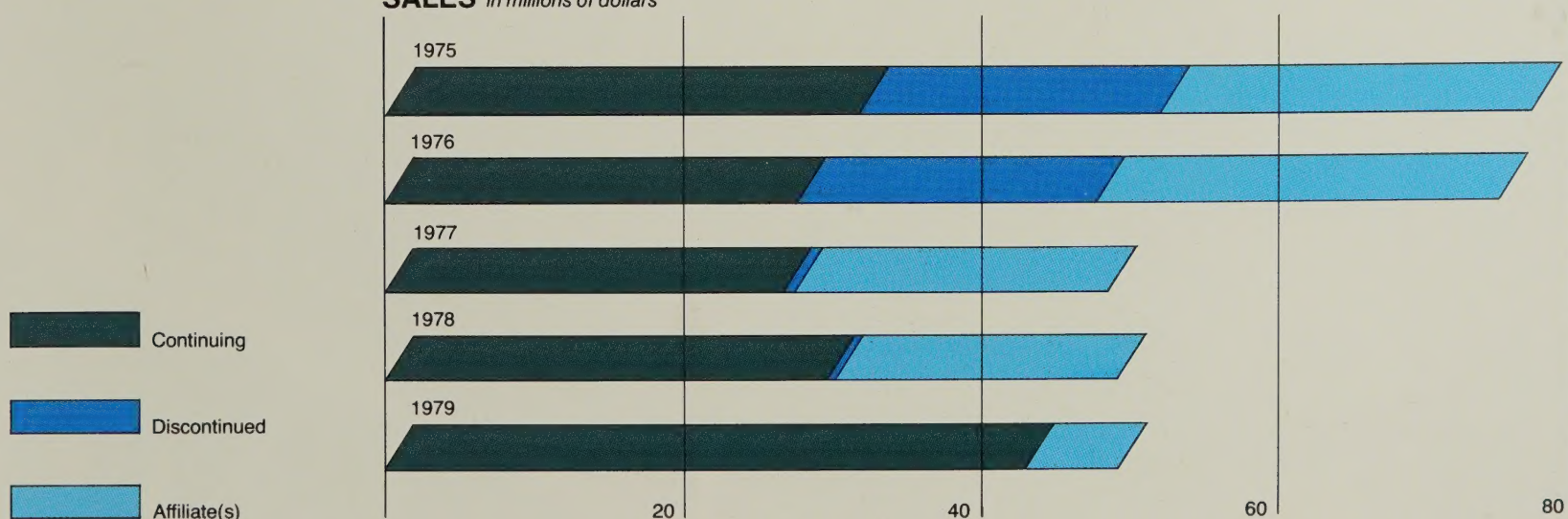
*in thousands of dollars except as indicated*

	1979 \$	1978 \$ (restated)
NET WORKING CAPITAL	9,310	4,885
NET FIXED ASSETS	15,676	7,035
OTHER ASSETS	283	1,640
TOTAL NET ASSETS	<u>25,269</u>	<u>13,560</u>
REPRESENTED BY:		
Funded Debt	19,401	13,450
Shareholders' Equity	<u>5,868</u>	<u>110</u>
	<u>25,269</u>	<u>13,560</u>
CAPITAL EXPENDITURES ON FIXED ASSETS	9,405	2,710
TOTAL PAYROLL AND BENEFITS	16,822	12,742
NUMBER OF EMPLOYEES AT YEAR END	752	589
SALES	44,901	32,320
EARNINGS FROM CONTINUING OPERATIONS††	1,038	260
(LOSS) FROM DISCONTINUED OPERATIONS††	(237)	(409)
EARNINGS (LOSS)		
Before Extraordinary Items	801	(149)
After Extraordinary Items	2,217	908
EARNINGS (LOSS) AS % OF SALES		
Before Extraordinary Items	1.8%	(0.5%)
After Extraordinary Items	4.9%	2.8%
EARNINGS (LOSS) PER SHARE**		
Before Extraordinary Items	18¢	(8¢)
After Extraordinary Items	92¢	48¢
CASH FLOW PER SHARE**		
Before Extraordinary Items	\$1.21	23¢
After Extraordinary Items	\$1.58	85¢

††After applicable Income Taxes

\*\*Based on 1,902,495 Common Shares Outstanding at December 31, 1979

## SALES *in millions of dollars*









# CORPORATE HISTORY

**1965** Edmonton operation commenced to design, fabricate and erect steel joists and structural steel.

**1966** Calgary plant acquired to produce fabricated structural steel and air fin heat exchangers.

Saskatoon plant established to manufacture steel joists and fabricate structural steel.

**1969** New Westminster plant opened to produce steel joists and fabricate structural steel.

**1970** Great West Steel Industries Ltd. became a public company.

**1971** Atlas Construction & Crane Service acquired, with operations at Edmonton and Calgary.

Calgary coal wash plant and laboratories established, now known as Birtley Coal and Minerals Testing.

Birtley Engineering Ltd., U.K. was purchased with facilities in Chesterfield, England and Glasgow, Scotland.

Toronto steel joist manufacturing facilities were purchased from Anthes Steel Products Ltd.

**1972** Seattle sales and engineering office was opened.

Wallclad Products Ltd. was acquired to produce and install steel faced sandwich wall panels.

International Brick & Tile was purchased with the intent to produce ceramic bricks and tile from fly ash.

Taskmaster Division was started to develop computerized engineering data.

Birtley Engineering Corporation opened offices in Salt Lake City.

**1973** Great West Steel Industries Inc. was established in Fontana, California to produce steel joists and structural steel.

Pine Pass Development Ltd. became involved in a coal exploration program under an agreement with Pan Ocean Oil Ltd.

Bimac Engineering & Chemicals Limited, U.K. was formed to produce and market consumable foundry products for the steel industry.

Bimac Division was established in Detroit, Michigan.

**1974** Dycore Division of Wallclad was started in North Vancouver for the production of hollow core concrete slabs for the construction industry.

**1975** Super Crane & Rigging Ltd. acquired to provide crane rental services in B.C.

Acquired 50% of Associated Engineering Services Ltd., a major consulting engineering company in Western Canada.

Acquired 50% of GWS Krupp Industries Ltd., Edmonton and sold it the Great West Steel Edmonton plant.

Acquired 50% of GWS and Shell Ltd., which in turn acquired Birtley Engineering Ltd., U.K. from Great West Steel.

Great West Steel entered a joint venture with Rashid Construction in the United Arab Emirates.

**1976** In May, Hugh A. Magee was elected President following major changes in the Board of Directors.

Fontana, California steel fabricating and joist plant closed.

Taskmaster Division sold.

Wallclad metal panel plant sold.

Great West Steel withdrew from active participation in Abu Dhabi hotel project.

Closed Toronto steel operations.

Sold assets of Bimac Chemicals.

Reached agreement to sell 50% interest in Associated Engineering Services Ltd.

**1977** Sold the U.S. operations of Birtley Engineering Corp., Salt Lake City.

Pine Pass Development Ltd. coal exploration program abandoned.

Raised \$5 million Class A preferred share equity.

**1978** Sold the 50% interest in GWS Krupp Industries Ltd. and purchased joist operations from the former affiliate.

Sold the inadequate Atlas Construction and Crane Service property at Edmonton.

Decided to dispose of Strescore plant (formerly Dycore Division) at North Vancouver. Assets subsequently sold.

**1979** New Edmonton plant commenced fabrication of open web steel joists and structural steel.

Atlas Crane Division moved to new service centre facilities at Edmonton.

Sold the 50% interest in GWS and Shell Limited, Chesterfield and Glasgow, U.K.

Raised \$4 million Class B preferred share equity.

Made full provision for uncollected Middle East accounts receivable.

Purchased Universal Metal Fabricators, Inc. Seattle, WA. and subsequently renamed it Great West Steel Fabricators, Inc.

## STRUCTURAL STEEL

*Great West Steel is a major designer, detailer, fabricator and erector of structural steel and platework for all types of construction. The Company's areas of expertise include single and multi-storey offices and apartment buildings, shopping centres, residential and institutional buildings, light and heavy industrial complexes, schools, warehouses, and energy-related projects such as power stations, steel work for the tar sands projects and pump stations for pipelines.*







# REPORT TO THE SHAREHOLDERS

1979 was an excellent year for all operating divisions of Great West Steel. Each operating unit showed significant improvement over 1978.

1979 earnings from continuing operations were \$1,958,000 on sales of \$45 million compared to \$523,000 in 1978 on sales of \$32 million. In addition an extraordinary gain of \$1,416,000 was realized in 1979 from a \$1,095,000 reduction of income taxes on application of prior period losses and the \$321,000 gain on sale of an investment. In comparison, 1978 showed an extraordinary gain of \$1,058,000. Also during 1979, our working capital strengthened by \$4,400,000 to \$9,300,000.

Many exciting and positive moves were completed during 1979. In April, our new plant in Edmonton began fabrication of open web steel joists and structural steel. The Atlas Crane division moved in May to its new head office and service centre facilities in Edmonton and made substantial additions to its crane fleet. The Company's bankers have provided term financing for these projects.

At the Annual General Meeting of the Company on June 28, 1979, the shareholders approved the creation of 40,000 Class B preference shares with a par value of \$100 each. On October 5, 1979 the Company's bankers invested \$4,000,000 in the Company by purchasing the Class B preference shares. The proceeds of the issue were used to reduce bank indebtedness.

In August, the Company successfully completed the sale of its 50% interest in GWS and Shell Limited in the U.K. The proceeds from this disposition are being used to modernize our existing facilities in Western Canada.

In November, the acquisition of a new modern facility in the Seattle

area was completed. A structural steel fabricating plant at this location provides a strategic balance to our total production capability in the Pacific Northwest.

The construction market in Western Canada and the Pacific Northwest continued to be buoyant in 1979, resulting in a strong demand for our steel products and crane services. Interest in coal mining development and exploration continues, providing high levels of activity for our Coal Testing division in Calgary.

Our management involvement in discontinued operations is steadily declining. In November, the Board of Directors decided to fully provide for the accounts receivable related to the Middle East due to lack of success in our collection efforts and the uncertain political climate of the Middle East. With the concurrence of our auditors, we reflected this transaction in the 1979 annual financial statements as a prior period adjustment.

Management energies are now primarily devoted to upgrading and improving existing plant facilities and operations. An extensive program to strengthen our engineering and technical capability is already showing substantial benefits. The use of computer aids for cost analysis and engineering support is continuing and is providing direction for improved efficiencies.

The first half of 1980 for Great West Steel is expected to be strong. In spite of very high interest costs, backlogs continue to be adequate and activity levels appear good for the immediate future. The high level of activity in the aircraft industry in Washington State suggests a healthy climate for several years to come, but in the short run we share the widely held fears of a major recession in the U.S.A. and

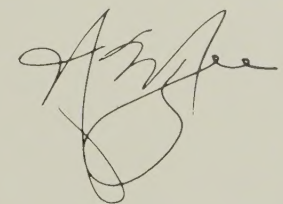
subsequently in Canada. Delays in commencement of major B.C. and Alberta projects such as the proposed pipelines and additional tar sands development will have a definite negative influence on the Western Canadian economy. We hope that the political confrontations between the Federal and Provincial governments can be resolved before it more seriously affects the economy.

Great West Steel has never been better prepared to meet the challenges of the future. Our operating management at each plant is excellent and our continuing support programs provide constant review and improvement. In spite of an excessive bank debt and today's high interest rates, we have been generating sufficient cash to meet our obligations, including the payment of dividends on preference shares, and we have improved our working capital substantially.

We continue to utilize our substantial tax loss as an important asset for the rebuilding of our equity.

1979 was a year of significant progress for the Company and all of our employees can be justly proud of their accomplishment. We look forward to an exciting future.

On Behalf of the  
Board of Directors



HUGH A. MAGEE  
Chairman & Chief Executive Officer

April 10, 1980, Vancouver, B.C.

## STEEL JOISTS

*Open web steel joists designed, manufactured and installed by Great West Steel are being used in an increasing number of buildings. The North American construction industry has found them to be a versatile, durable and economical alternative to concrete, timber and structural steel beams in most conventional roof and floor systems.*





OFFICIAL  
SUPPLIER  
OF CRANE SERVICES





CONSOLIDATED

# Statement of Earnings and Deficit

GREAT WEST STEEL INDUSTRIES LTD.

AND SUBSIDIARIES

for the year ended December 31, 1979

	1979 \$	1978 \$ (restated)
SALES	<u>44,900,925</u>	<u>32,319,586</u>
EARNINGS FROM OPERATIONS	<u>4,427,180</u>	<u>1,843,179</u>
OTHER EXPENSES		
Interest on Long Term Debt	856,076	473,506
Other Interest	834,651	387,552
Depreciation and Amortization	<u>778,480</u>	<u>459,559</u>
	<u>2,469,207</u>	<u>1,320,617</u>
EARNINGS FROM CONTINUING OPERATIONS	1,957,973	522,562
PROVISION FOR INCOME TAXES	<u>920,200</u>	<u>262,229</u>
	1,037,773	260,333
(LOSS) FROM DISCONTINUED OPERATIONS (Note 11)	<u>(236,424)</u>	<u>(409,533)</u>
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS	801,349	(149,200)
EXTRAORDINARY ITEMS (Note 6)	<u>1,416,136</u>	<u>1,057,508</u>
EARNINGS FOR THE YEAR	2,217,485	908,308
(DEFICIT) — BEGINNING OF YEAR (Note 12)	(10,415,881)	(11,324,189)
DIVIDENDS		
Class A Preference Shares	(387,500)	
Class B Preference Shares	<u>(72,163)</u>	<u></u>
(DEFICIT) — END OF YEAR	<u>(8,658,059)</u>	<u>(10,415,881)</u>

The accompanying notes to consolidated financial statements are an integral part of this statement.

## CRANE SERVICE

This division provides crane services to the construction, transportation, mining, oil, gas and manufacturing industries and utilities. It performs general rigging, pile driving, and wharf and ship loading services.

The division operates in Alberta, British Columbia, Manitoba, Saskatchewan, Yukon and the Northwest Territories from bases at Edmonton, Calgary and Vancouver. It operates a fleet of approximately 150 mobile cranes, ranging in size from 12½ tons to 150 tons.



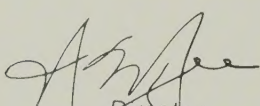
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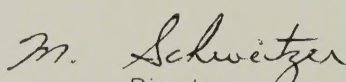
# Balance Sheet

GREAT WEST STEEL INDUSTRIES LTD.  
AND SUBSIDIARIES  
as at December 31, 1979

	1979 \$	1978 \$ (restated)
<b>Assets</b>		
<b>CURRENT</b>		
Accounts Receivable	11,129,588	7,399,813
Inventories (Note 2)	8,527,062	4,887,783
Prepaid Expenses	<u>116,306</u>	<u>182,256</u>
	19,772,956	12,469,852
<b>LONG TERM RECEIVABLES</b>	85,352	104,416
<b>INVESTMENT</b>		775,491
<b>FIXED ASSETS (Note 3)</b>	15,675,565	7,035,027
<b>DEFERRED FINANCING EXPENSES, net of amortization</b>	197,664	236,254
<b>NET ASSETS OF DISCONTINUED OPERATIONS HELD FOR REALIZATION (Note 11)</b>		<u>524,217</u>
	<u>35,731,537</u>	<u>21,145,257</u>
<b>Liabilities</b>		
<b>CURRENT</b>		
Bank Advances (Note 4)	4,574,969	2,057,842
Accounts Payable	4,950,636	5,074,106
Current Portion of Long Term Liabilities (Note 4)	853,037	172,798
Current Liabilities in Excess of Current Assets Held for Realization (Note 11)	<u>84,140</u>	<u>280,222</u>
	10,462,782	7,584,968
<b>TERM BANK ADVANCES (Notes 4 and 12)</b>	13,445,465	8,061,000
<b>LONG TERM DEBT (Note 4)</b>	<u>5,955,365</u>	<u>5,389,186</u>
	29,863,612	21,035,154
<b>Shareholders' Equity</b>		
<b>SHARE CAPITAL (Note 5)</b>	14,525,984	10,525,984
<b>(DEFICIT) (Note 12)</b>	<u>(8,658,059)</u>	<u>(10,415,881)</u>
	<u>5,867,925</u>	<u>110,103</u>
	<u>35,731,537</u>	<u>21,145,257</u>

Approved by the Directors

  
Director

  
Director

The accompanying notes to consolidated financial statements are an integral part of this statement.



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# Statement of Changes in Financial Position

GREAT WEST STEEL INDUSTRIES LTD.  
AND SUBSIDIARIES  
for the year ended December 31, 1979

	1979 \$	1978 \$ (restated)
SOURCES OF FUNDS		
CURRENT OPERATIONS		
Operations	2,770,182	434,364
Deduct Dividends on Preference Shares	459,663	
	<u>2,310,519</u>	<u>434,364</u>
FINANCING ACTIVITIES		
Bank Advances	6,084,465	2,247,559
Share Capital	4,000,000	
Long Term Debt (Retired)	(62,281)	(226,183)
	<u>10,022,184</u>	<u>2,021,376</u>
DISPOSAL OF LONG TERM ASSETS		
Investments	1,481,027	1,776,334
Receivables	22,729	9,000
Fixed Assets	22,056	1,190,238
Discontinued Operations	235,564	122,676
	<u>1,761,376</u>	<u>3,098,248</u>
	<u>14,094,079</u>	<u>5,553,988</u>
USE OF FUNDS		
ADDITIONS TO LONG TERM ASSETS		
Fixed Assets	9,405,071	2,709,788
Discontinued Operations	263,718	254,197
	<u>9,668,789</u>	<u>2,963,985</u>
INCREASE IN WORKING CAPITAL	4,425,290	2,590,003
WORKING CAPITAL — BEGINNING OF YEAR (Note 12)	<u>4,884,884</u>	<u>2,294,881</u>
WORKING CAPITAL — END OF YEAR	<u>9,310,174</u>	<u>4,884,884</u>

*The accompanying notes to consolidated financial statements are an integral part of this statement.*



# Notes

TO CONSOLIDATED  
FINANCIAL STATEMENTS  
for the year ended December 31, 1979

## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES AND PRINCIPLES

### *Principles of Consolidation*

The consolidated financial statements include the accounts of all subsidiaries.

### *Translation of Foreign Currencies*

Foreign currencies have been translated into Canadian currency at the rate of exchange in effect at the year end, except that fixed assets have been translated at the rate in effect at the date of acquisition and operating results at the average rate during the year. The resulting gains or losses are reflected in earnings for the year.

### *Recording of Income*

Profits on contracts are recorded on the basis of estimates of percentage of completion on individual contracts, commencing when progress reaches a point where experience is sufficient to estimate final results with reasonable accuracy.

If contracts extend over one or more fiscal years, revisions in cost and profit estimates during the course of the work are reflected in the accounting period when the facts which require the revisions become known. At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is accrued.

### *Inventory Valuation*

Raw materials and supplies are recorded at the lower of average cost and net realizable value. Work-in-progress represents costs and estimated earnings in excess of billings.

### *Depreciation*

Depreciation is calculated at rates which will reduce the original cost of fixed assets to estimated residual values on a straight-line basis at the following rates:

Buildings	3% to 7%
Equipment	5% to 20%

### *Deferred Financing Expenses*

Expenses of obtaining long term debt are deferred and amortized over the term of the financing.

## NOTE 2. INVENTORIES

	1979	1978
	\$	\$
Raw Materials and Supplies	7,047,331	3,383,398
Work-in-Progress	1,479,731	1,504,385
	<u>8,527,062</u>	<u>4,887,783</u>

## NOTE 3. FIXED ASSETS

	1979		1978	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	2,072,165		2,072,165	1,603,914
Buildings	5,537,746	493,084	5,044,662	1,984,247
Equipment	12,190,006	3,631,268	8,558,738	3,446,866
	<u>19,799,917</u>	<u>4,124,352</u>	<u>15,675,565</u>	<u>7,035,027</u>

## NOTE 4. FINANCING

### *Bank Advances*

All bank advances are secured by an assignment of accounts receivable and inventories, mortgages on certain equipment and real property and floating charges on assets.

### *Term Bank Advances*

	1979	1978
	\$	\$
Term Bank Loans	3,515,000	(restated) 3,515,000
Other Deferred Bank Loans	10,630,465	4,546,000
	14,145,465	8,061,000
Less: Current Portion	700,000	
	<u>13,445,465</u>	<u>8,061,000</u>

There are no commitments for repayment of principal on Term Bank Advances. The repayment schedule is currently being negotiated and it is anticipated that the current portion due will be \$700,000.



**Long Term Debt**

	1979 \$	1978 \$
1972 Series 8½% Sinking Fund Debentures due June 15, 1992	5,137,000	5,363,000
Other term loans with interest at varying rates, secured by charges on specific assets repayable in varying annual installments by 1998	971,402	198,984
	6,108,402	5,561,984
Less: Current Portion	153,037	172,798
	<u>5,955,365</u>	<u>5,389,186</u>

At the Company's option, redemption for other than sinking fund purposes of any part of the debentures may take place at a premium of 5% in 1980, decreasing by ½% per year to 1990.

Other term loans include \$882,216 of debt payable in United States funds. Payments required in the next five years to meet long term debt installments, including sinking fund payments, but excluding repayment of Term Bank Advances are:

	\$
1980	153,000
1981	208,000
1982	223,000
1983	325,000
1984	327,000
	<u>1,236,000</u>

**NOTE 5. SHARE CAPITAL AND DIVIDENDS**

During the year the Company altered its capital by designating the existing preference shares as Class A and by increasing its authorized capital from 5,050,000 shares to 5,200,000 shares through the creation of 40,000 Class B and 110,000 Class C preference shares.

**Authorized**

- 50,000 Class A cumulative, nonvoting, redeemable preference shares with a par value of \$100 each

- 40,000 Class B cumulative, nonvoting, redeemable preference shares with a par value of \$100 each
- 110,000 Class C preference shares, non-voting, with a par value of \$100 each
- 5,000,000 common shares without nominal or par value

	1979 \$	1978 \$
Issued and fully paid		
— 50,000 Class A preference shares	5,000,000	5,000,000
— 40,000 Class B preference shares (issued for cash)	4,000,000	
— 1,902,495 common shares	5,525,984	5,525,984
	<u>14,525,984</u>	<u>10,525,984</u>

The Class A preference shares carry a dividend of 7.75% and are redeemable June 30, 1989 at a premium of 8%. The Company has the right to redeem at par at any time prior to March 31, 1982 and at a premium of 1%, increasing 1% per annum after that date, up to and including 1989.

The Class B preference shares carry a dividend equal to 52/100 of the prime rate of The Toronto-Dominion Bank from time to time but may, however, increase at the option of the holder of the Class B preference shares to a rate not in excess of 1.0088 times the prime rate if the tax treatment of the dividend to the holder changes. The Company shall have the right to redeem the Class B preference shares for debt in the event that the dividends increase to 1.0088 times the prime rate. The Class B preference shares are redeemable June 30, 1989. The Company has the right of redeeming at par at any time prior to March 31, 1984. After that date the holder may require the Company to redeem Class B preference shares in accordance with a formula contained in the special rights and restrictions set out in the memorandum of the Company.



# Notes

TO CONSOLIDATED  
FINANCIAL STATEMENTS  
for the year ended December 31, 1979  
(Cont.)

The Class C preference shares may be issued in one or more series. The directors of the Company are authorized to determine the redemption rights and the rate or amount of dividends provided that the rate does not exceed one half of the prime rate of The Toronto-Dominion Bank plus 3%.

At December 31, 1979 there were 315,000 common share purchase warrants outstanding entitling the holders to purchase common shares at a price of \$9.74 per share, on or before June 15, 1982.

At December 31, 1979 there were 95,000 common shares of the Company reserved and set aside for a Stock Purchase Plan for employees of the Company.

The financing agreements and the Class A, Class B and Class C preference shares contain provisions which restrict the Company from declaring common share dividends under certain conditions.

## NOTE 6. EXTRAORDINARY ITEMS

	1979 \$	1978 \$
Reduction of income		
taxes on application		
of prior period		
losses	1,095,200	136,537
Gain on sale of		
investment net of		
income taxes of \$385,000		
(1978 — \$13,000)	320,936	40,795
Gain on sale of fixed		
assets net of income		
taxes of \$221,000		796,035
Additional net		
proceeds arising on		
prior year's sale of		
investment net of income		
taxes of \$26,000		84,141
	<u>1,416,136</u>	<u>1,057,508</u>

## NOTE 7. INCOME TAXES AND TAX LOSSES CARRIED FORWARD

Subject to a review by the appropriate taxation authorities, the Company has approximately \$10,000,000 of income tax losses, expiring at various dates up to and including 1984, available to reduce future income for tax purposes, and approximately \$2,500,000 of allowances and other deductions with no expiry date.

## NOTE 8. EARNINGS PER SHARE

	1979 \$	1978 \$
<b>Basic</b>		
Earnings (Loss) before		
extraordinary items	.18	(.08)
Extraordinary items	.74	.56
Earnings per share	<u>.92</u>	<u>.48</u>
<b>Fully Diluted</b>		
Earnings before		
extraordinary items	.26	.01
Extraordinary items	.61	.48
Earnings per share	<u>.87</u>	<u>.49</u>

Fully diluted earnings per share are based on the exercise of 315,000 share purchase warrants and in 1979 the issue of 95,000 shares reserved in the Company Stock Purchase Plan (Note 5) assuming the proceeds would yield income equal to the average annual interest rate on the current bank advances of the Company. Included in this calculation are imputed earnings, net of income taxes, of \$249,000 (1978 — \$179,000).

## NOTE 9. OTHER INFORMATION

- Remuneration of directors and senior officers amounted to \$462,000 (1978 — \$442,000).
- Selling, general and administrative expenses for the year amounted to \$5,417,000 (1978 — \$4,068,000).

## NOTE 10. COMMITMENTS AND CONTINGENT LIABILITIES

The Company has long term lease commitments requiring average annual payments of approximately \$350,000 in each of the next five years.

The estimated cost of completing capital projects in process at December 31, 1979 is approximately \$250,000. Financing for these commitments has been arranged.

Actions seeking approximately \$5,300,000 plus interest were commenced against five defendants including the Company for the loss of use and repair and reconstruction of a building following a



roof collapse in January 1977. The Company disclaims any liability and further has indemnity from third parties covering a major portion of the amounts claimed.

Unrelated other actions for approximately \$550,000 have been instituted against the Company. Counter claims have been issued in excess of this amount and the Company also has related indemnity from third parties covering a major portion of the amounts claimed.

#### NOTE 11. DISCONTINUED OPERATIONS

During the year the Company continued its program of disposing of certain of its operations that were either historically unprofitable or inconsistent with future plans. On previous years' statements, the Company recorded the Account Receivable United Arab Emirates of \$5,346,409 at the original amount since collectibility of the account was indeterminate at those times. In 1979 the Company charged to Deficit this receivable due to the lack of success in collection efforts and the present uncertain political climate in the Middle East. Net assets (liabilities) of the remaining discontinued operations are recorded at estimated realizable values and are shown separately on the Balance Sheet after the restatements documented in Note 12 and include:

	1979 \$	1978 \$ (restated)
Accounts Receivable	437,487	1,570,807
Inventories		188,581
Fixed and Other	7,976	94,987
	445,463	1,854,375
Less related liabilities and provisions for expenses and losses	529,603	1,610,380
Net assets (liabilities) of discontinued operations held for realization	(84,140)	243,995
Comprised of: Current	(84,140)	(280,222)
Non current		524,217
	(84,140)	243,995

Full provision has been made for estimated losses and expenses anticipated during the realization period for operations which have been discontinued.

The 1979 Loss from Discontinued Operations totalling \$236,424 consists of adjustments of asset balances to estimated net realizable values totalling \$446,024 net of related income taxes of \$209,600. The 1978 Loss from Discontinued Operations totalling \$409,533 consists of operating losses of \$175,315, provisions for expenses and losses during the realization period and write-downs of assets to estimated net realizable values totalling \$599,276 net of related income taxes of \$365,058.

#### NOTE 12. RESTATEMENT OF COMPARATIVE FIGURES

1978 figures have been restated to reflect two significant events.

- Term Bank Advances and Working Capital increased \$2,061,000 to reflect long term financing committed in 1978 and received in 1979 for fixed asset expenditures paid out of Working Capital in 1978.
- As reported in Discontinued Operations (Note 11) the Company charged to Deficit the Account Receivable United Arab Emirates of \$5,346,409. This prior period adjustment is reflected in the Statement of Earnings and Deficit as:

	1978 \$
(Deficit) — Beginning of Year as Previously Reported	(5,977,780)
— Prior Period Adjustment	(5,346,409)
(Deficit) — End of Year as Restated	(11,324,189)



# AUDITORS' REPORT

To the Shareholders of  
Great West Steel Industries Ltd.

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We have examined the Consolidated Balance Sheet of Great West Steel Industries Ltd. (a British Columbia company) and Subsidiaries as at December 31, 1979 and 1978, and the related Consolidated Statements of Earnings and Deficit and Changes in Financial Position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Consolidated Financial Statements present fairly the financial position of Great West Steel Industries Ltd. and Subsidiaries as at December 31, 1979 and 1978, and the results of their operations and changes in their financial position for the years then ended in accordance with generally accepted accounting principles consistently applied during the periods.

In our auditors' report dated March 12, 1979, our opinion on the 1978 consolidated financial statements was qualified as being subject to the realization of the assets of Discontinued Operations. As explained in Note 12, the carrying amount of the major asset of Discontinued Operations has been charged to Deficit and the 1978 financial statements have been restated for comparative purposes as required by generally accepted accounting principles. Accordingly, our present opinion on the 1978 financial statements, as presented herein, is different from that expressed in our previous report.

Arthur Andersen & Co.  
Chartered Accountants  
March 21, 1980



# HISTORICAL REVIEW

<i>In thousands of dollars except as indicated</i>	1979	1978*	1977*	1976*	1975*
FINANCIAL POSITION AT YEAR END					
Net Working Capital†	\$ 9,310	4,885	2,295	98	7,452
Net Fixed Assets	15,676	7,035	5,001	5,241	10,285
Other Assets	283	1,640	3,368	6,757	2,157
Funded Debt	19,401	13,450	11,462	11,192	9,849
Deferred Income Taxes					3,449
Shareholders' Equity	5,868	110	(798)	904	6,596
CAPITAL EXPENDITURES ON FIXED ASSETS					
	9,405	2,710	379	1,649	1,644
EMPLOYMENT					
Total Payroll & Benefits	16,822	12,742	10,857	19,721	17,574
Total Number of Employees	752	589	417	682	1,207
INCOME AND RELATED DATA					
Sales	44,901	32,320	28,600	48,287	53,871
Earnings (Loss) from Continuing Operations before Income Taxes	1,958	523	(426)	(1,155)	3,404
Earnings (Loss) from Discontinued Operations before Income Taxes	(446)	(775)	(5,429)	(13,404)	(3,081)
Equity Earnings from Investments				532	780
Earnings before Income Taxes	1,512	(252)	(5,855)	(14,027)	1,103
Income Taxes	711	(103)	36	(4,335)	404
Earnings before Extraordinary Items	801	(149)	(5,891)	(9,692)	699
Extraordinary Items	1,416	1,057	(811)	71	764
Earnings (Loss) for the Year	2,217	908	(6,702)	(9,621)	1,463
Depreciation and Amortization	778	460	451	850	750
Interest on Long Term Debt	856	474	495	506	968
Other Interest	835	388	295	2,092	922
Earnings (Loss) as % of Sales					
Continuing Operations	2.3	0.8	(1.6)	(1.4)	3.4
Discontinued Operations	(.5)	(1.3)	(18.5)	(19.8)	(3.5)
Equity Earnings from Investments				1.1	1.4
Before Extraordinary Items	1.8	(.5)	(20.1)	(20.1)	1.3
After Extraordinary Items	4.9	2.8	(23.4)	(19.9)	2.7
Earnings (Loss) per Share**					
Continuing Operations	30¢	14¢	(24¢)	(36¢)	\$1.02
Discontinued Operations	(12¢)	(22¢)	(\$2.85)	(\$5.01)	(\$1.06)
Equity Earnings from Investments				28¢	43¢
Before Extraordinary Items	18¢	(8¢)	(\$3.09)	(\$5.09)	39¢
After Extraordinary Items	92¢	48¢	(\$3.52)	(\$5.06)	81¢
Cash Flow per Share**					
Continuing Operations	\$1.16	39¢	(2¢)	(18¢)	5¢
Discontinued Operations	5¢	(16¢)	(\$2.26)	(\$4.82)	(\$4.58)
Equity Earnings from Investments				28¢	43¢
Before Extraordinary Items	\$1.21	23¢	(\$2.28)	(\$4.72)	(\$4.10)
After Extraordinary Items	\$1.58	85¢	(\$2.28)	(\$4.68)	(\$3.32)

†Including current portion of Deferred Income Taxes

\*Restated

\*\*Based on 1,902,495 Common Shares outstanding at December 31, 1979 (1975 – 1,802,495)



# GREAT WEST STEEL INDUSTRIES LTD.

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## DIRECTORS

J. Leslie Bodie, *Calgary*  
Bryan A. Ellis, *Vancouver*  
A. John Fisher, *Toronto*  
David L. Helliwell, *Vancouver*  
Hugh A. Magee, *Vancouver*  
John W. Poole, *Vancouver*  
Mervyn G. Schweitzer, *Vancouver*  
C. R. Mallory Smith, *Vancouver*

## OFFICERS

Hugh A. Magee,  
*Chairman & Chief Executive Officer*  
Mervyn G. Schweitzer,  
*President & Chief Operating Officer*  
George B. Bogdanow, *Vice-President*  
D. Scott Kennedy, *Vice-President*  
Thomas M. Pytel, *Vice-President*  
William E. Allen, *Secretary*

## SUBSIDIARIES

Atlas Construction & Crane Service Ltd.,  
Edmonton and Calgary  
Great West Steel Industries Inc.,  
Great West Steel Fabricators, Inc.,  
Great West Steel Engineering Corp.,  
Seattle  
Super Crane & Rigging (1978) Ltd.,  
Vancouver

## EXECUTIVE OFFICES

2600 Oceanic Plaza,  
1066 West Hastings Street,  
Vancouver, B.C.  
V6E 3Z2

## REGISTERED OFFICE

1800 - 700 West Georgia Street,  
Vancouver, B.C.

## STOCK LISTINGS

Toronto, Montreal and Vancouver  
Stock Exchanges

## BANKERS

The Toronto-Dominion Bank

## AUDITORS

Arthur Andersen & Co.  
Chartered Accountants

## TRANSFER AGENTS & REGISTRARS

For common shares, preference shares and  
share purchase warrants:

The Canada Trust Company,  
Vancouver, Toronto, Edmonton,  
Regina, Winnipeg, Montreal

For debentures:

The Royal Trust Company,  
Vancouver, Edmonton, Toronto,  
Montreal







